

Message Text

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INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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SUBJECT: AD HOC WORKING PARTY ON ALUMINUM, FEB. 23-24

REF: STATE 44094; DSTI/IND/AL/76.2

1. SUMMARY. AD HOC WP ON ALUMINUM INDUSTRY MET 3 FEB. 23 AND APPROVED FOUR REPORTS ON ENERGY, BAUXITE, SCRAP AND INFLATION AFTER MAKING SEVERAL EDITORIAL CHANGES. WP ALSO APPROVED SECRETARIAT CHAPTER OF GENERAL CONCLUSIONS ON INDUSTRIAL ADAPTATION OF ALUMINUM INDUSTRY. END SUMMARY

2. ENERGY - DSTI/IND/AL/75.15
WP AGREED TO INCLUSION OF A NEW TABLE 2 OF ELECTRICITY SOURCES FOR PRIMARY ALUMINUM CONSUMPTION IN NINE COUNTRIES. HOWEVER, AS DATA CONTAINED THEREIN VARIES SIGNIFICANTLY FROM THAT OF ORIGINAL TABLE ONE, WP INSISTED THAT NEW TABLE BE ACCOMPANIED BY CLARIFYING LANGUAGE.

3. BAUXITE - DSTI/IND/AL/75.9
AUSTRALIA MADE POINT THAT WHILE TECHNOLOGY EXISTS TO EXTRACT ALUMINUM FROM NON-BAUXITE ORES, SUCH PROCESS IS NOT NOW ECONOMICALLY FEASIBLE (3RD PARA, PG 16).

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SECRETARIAT WILL REVISE LANGUAGE TO REFLECT AUSTRALIAN

OBSERVATION.

4. SCRAP - DSTI/IND/AL/75.6

UK UPDATED ITS FIGURES ON CONSUMPTION OF PURCHASED SCRAP (PARA 34). WP ACCEPTED CHANGES PROPOSED BY US DEL PER INSTRUCTIONS IN REFTEL.

5. INFLATION - DSTI/IND/AL/75.8

RESPONDING TO QUESTION POSED BY US DEL (SEE REFTEL) SECRETARIAT DEFINED "CAPITAL STOCK" AS PLANT AND EQUIPMENT AND NOT AS SHAREHOLDERS' INTEREST. AS SECRETARIAT WAS UNABLE TO DEFINE TERM "BREAK EVEN POINT" TO SATISFACTION OF ALL DELS, TERM WAS DELETED FROM PARA 19. (CANADIAN DEL SAID NOTION INTENDED IS ALUMINUM PRICES HAVE NOT INCREASED SUFFICIENTLY IN RELATION TO INCREASED PRODUCTION COSTS.)

6. INDUSTRIAL ADAPTATION - DSTI/IND/AL/76.1

IN RESPONSE TO QUESTION BY US DEL RE DEFINITION "STRUCTURAL ADAPTATION", CANADIAN DEL AND WP CHAIRMAN (FRANCE) OFFERED FOLLOWING: FUNDAMENTAL CHANGES IN PHYSICAL STRUCTURE OF INDUSTRY SUCH AS SITING, COMPANY INTEGRATION, ETC. WHICH MAY RESULT FROM SUCH FACTORS AS INFLATION, RAW MATERIALS SUBSTITUTION AND ALTERNATIVE ENERGY SOURCES. CHAIR STATED TENTATIVE STEPS TAKEN TO DATE BY INDUSTRY DO NOT PREDICT FINAL OUTCOME RE NATURE AND EXTENT OF FUTURE STRUCTURAL CHANGES. WP ACCEPTED ALL CHANGES PROPOSED BY US DEL (REFTEL) EXCEPT PROPOSED DELETION OF "THE BIGGEST PROBLEM" IN PARA 15. WP, LED BY AUSTRALIA WAS ADAMANT THAT "IN TERMS OF INSUFFICIENT RESOURCES", CAPITAL ACCUMULATION IS, WITHOUT DOUBT, "THE BIGGEST

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PROBLEM". AFTER EXTENSIVE DEBATE AND SEVERAL FRUITLESS ATTEMPTS TO DEVISE COMPROMISE LANGUAGE, US DEL ACCEDED TO MAJORITY VIEW.

RE ISSUES MENTIONED PARA 6 REFTEL, CANADIAN AND AUSTRALIAN DELS SAID THESE CONCERNS WERE BEYOND WP'S MANDATE, HAD NOT BEEN DISCUSSED AND SHOULD NOT BE SPELLED OUT IN REPORT. THEY REJECTED US DRAFT INTRODUCTION TO 76.1 WHICH IDENTIFIED OTHER INDUSTRY CONCERNS SUCH AS ACCESS TO RAW MATERIALS, SANCTITY OF CONTRACTS, STATE PARTICIPATION ETC. WP ACCEPTED COMPROMISE FORMULATION WHICH STATES THAT "...THERE WAS A GENERAL CONSENSUS THAT THERE ARE OTHER PROBLEMS".

7. OTHER BUSINESS -

WP CONCURRED THAT REPORT BE PUBLISHED ASAP, AND THAT OTHER INDUSTRY CONCERNS (PARA 6 ABOVE) COULD BE BROUGHT TO ATTENTION OF MARCH 17-19 INDUSTRY COMMITTEE MEETING. MAJORITY CONCURRED WITH CHAIR THAT UP HAD FULFILLED ITS MANDATE AND NO FUTURE WORK IS ENVISAGED. WHILE UK DEL EXPRESSED HOPE THAT WP COULD MEET ANNUALLY TO REVIEW SHORT-TERM PROSPECTS, WP AGREED THAT FUTURE OF WP WILL UNCLASSIFIED

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